

Joshua A. Sussberg, P.C.

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

601 Lexington Avenue

New York, New York 10022

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

Patrick J. Nash, Jr., P.C. (admitted *pro hac vice*)

Ross M. Kwasteniet, P.C. (admitted *pro hac vice*)

Christopher S. Koenig

Dan Latona (admitted *pro hac vice*)

KIRKLAND & ELLIS LLP

KIRKLAND & ELLIS INTERNATIONAL LLP

300 North LaSalle Street

Chicago, Illinois 60654

Telephone: (312) 862-2000

Facsimile: (312) 862-2200

Counsel to the Initial Debtors and Debtors in Possession

Proposed Counsel to the GK8 Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

CELSIUS NETWORK LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 22-10964 (MG)
)
) (Jointly Administered)
)

**DECLARATION OF PATRICK HOLERT,
CHIEF OPERATING OFFICER OF CELSIUS MINING LLC,
IN SUPPORT OF THE SALE OF CERTAIN DE MINIMIS ASSETS**

I, Patrick Holert, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am the Chief Operating Officer for Celsius Mining LLC ("Celsius Mining"), which is a fully owned subsidiary of Celsius Network Limited (together with the above-captioned

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 Ltd. (1209); GK8 UK Limited (0893); and GK8 USA LLC (9450). The location of Debtor Celsius Network LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

debtors and debtors in possession, the “Debtors”).² I was previously a Financial Risk Officer at Celsius. I have a BA in Economics and Mathematics from Claremont McKenna College and attended the University of Chicago Booth School of Business.

2. I submit this Declaration in support of the *Debtors’ Reply in Support of Debtors’ Sale of Certain De Minimis Assets* (the “Reply”), filed contemporaneously herewith, and to inform the Court and other parties in interest as to the factual background surrounding the Sale.

3. I am generally familiar with the Debtors’ day-to-day mining operations, business, and the sale (the “Sale”) of approximately 2,700 “MicroBT M30S ASIC” rigs (the “Mining Rigs”). Except as otherwise indicated, all facts in this declaration (this “Declaration”) are based upon my personal knowledge, my discussions with other members of the Debtors’ management team and advisors, and my review of relevant documents and information concerning the Debtors’ mining operations, or my opinions based upon my experience and knowledge. I am over the age of eighteen and authorized to submit this Declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

The Mining Rigs and the Sale

4. The Debtors agreed to purchase the Mining Rigs in June 2021 with deliveries scheduled over the first half of 2022 in anticipation that hosting facilities would be available for the rigs. Today, the Mining Rigs remain unused and unopened from their original packaging and sit idle in the Debtors’ Texas warehouses. At the time the Mining Rigs were purchased, operating margins on mining activities were more attractive due to higher Bitcoin prices and lower energy rates in the United States than at present. Under these different market conditions, the Debtors believed they could profitably operate less efficient rigs that were purchased at lower prices per

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Reply.

hashrate. Therefore, the Debtors decided to purchase the Mining Rigs, which were less expensive to purchase than more expensive and more efficient rigs. Today, as a consequence of a major shift in energy prices and volatility in the cryptocurrency market, the profitability and value of less efficient mining rigs has dropped, which is now reflected by the price of the Mining Rigs as agreed to in the Sale.

5. The Mining Rigs are less profitable to operate and less efficient than 90 percent of rigs currently deployed in the Debtors' mining business as well as around 60,000 rigs the Debtors have in their possession that are not currently deployed. As such, the Sale will have no immediate or anticipated impact on the operational performance of Celsius Mining. Additionally, the Sale is not connected to the Debtors' relationship with Core Scientific.

6. As part of the marketing process, the Debtors and their advisors reached out to a wide-array of parties, including potential purchasers and brokers. The negotiations with Touzi Capital were conducted at arm's length. The Debtors are unaffiliated with Touzi Capital, and to the best of my knowledge, no Touzi Capital employee was previously employed by the Debtors.

7. Under the terms of the Sale, Celsius Mining entered into an agreement with Touzi Capital to sell the Mining Rigs for \$1,342,727. The Debtors believe that the Sale price is commensurate with the market at the time of Sale, and the highest and best offer received by the Debtors through the marketing process.

8. Given the current market outlook and energy prices, I believe the Sale is value maximizing. I understand that the Debtors' liquidity runway is shortening, and the generation of additional liquidity is imperative. While the Mining Rigs have limited potential to be used in the Debtors' mining business or go-forward operations, the Sale will generate immediate liquidity.

9. Moreover, I do not foresee a reasonable likelihood of the Mining Rigs being used in the Debtors' mining business today or going forward. In light of current Bitcoin prices, difficulty rates, and energy prices, the Debtors believe it is highly unlikely for the Mining Rigs to have a positive impact on the operational performance or profitability of the mining business. Even in the scenario where cryptocurrency prices appreciate significantly (or energy prices drop), the Debtors have more efficient rigs they can reasonably deploy, and the Mining Rigs make up among the least efficient portion of the Debtors' excess rig capacity. The Sale price reflects current market prices, which is a function of the cost to profitably operate the rigs. While the ability to profitably operate the rigs is heavily dependent on the cyclical nature of cryptocurrency and energy prices, all else equal, the Mining Rigs will continue to depreciate based on the typical depreciation schedule of rigs and the ever increasing sophistication of new models.

[Remainder of page intentionally left blank]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: January 23, 2023

/s/ Patrick Holert

Name: Patrick Holert

Title: Chief Operating Officer of Debtor Celsius
Mining LLC